

**THE OFFICE OF REGULATORY STAFF  
DIRECT TESTIMONY AND EXHIBITS  
OF  
JOHN C. SHARPE**



**DOCKET NO. 2005-110-WS**

**Petition of the Office of Regulatory Staff to  
Request Forfeiture of the Piney Grove  
Utilities, Incorporated Bond and to Request  
Authority to Petition the Circuit Court for  
Appointment of a Receiver**

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2                                   **TESTIMONY OF JOHN C. SHARPE**

3                                   **FOR**

4                                   **THE OFFICE OF REGULATORY STAFF**

5                                   **DOCKET NO. 2005-110-WS**

6                                   **IN RE: PINEY GROVE UTILITIES, INC.**

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10   **Q.     PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

11   A.     My name is John C. Sharpe and my business address is 1800 Twelfth Street (P.O. Box

12           2004), Cayce, South Carolina 29171-2004. I am employed as the City Manager for the

13           City of Cayce.

14   **Q.     PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

15   A.     I received a Bachelor of Science Degree in Business Administration, with a major in

16           Economics and Management, from the University of South Carolina in 1971. I have been

17           employed by the City of Cayce since March 1972, beginning as the City Finance

18           Director. I was appointed the City Clerk-Treasurer in 1977, and served in that capacity,

19           and also continued to be employed as Finance Director, until February 2000. In February

20           2000, I was appointed by the City Council as Acting City Manager. On April 25, 2000,

21           the City Council appointed me City Manager and I have been serving as City Manager

22           since that time.

1 **Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES AS CITY MANAGER**  
2 **FOR THE CITY OF CAYCE?**

3 A. The City of Cayce operates under the Council-Manager form of municipal government.  
4 State statutory law (Title 5, Chapter 13 of the Code of Laws of South Carolina) and the  
5 Cayce City Code of Ordinances describe the duties, responsibilities and powers of the  
6 City Manager under this form of government. Under state law, specifically S.C. Code  
7 section 5-13-90, the City Manager is the chief executive officer of the municipality and  
8 the head of the administrative branch of the municipal government, and is responsible to  
9 the city council for the proper administration of all affairs of the municipality. I function  
10 as the CEO for the City of Cayce, and all department heads, as well as the city clerk and  
11 city treasurer, report to me and are supervised by me.

12 **Q. HOW IS THE CITY OF CAYCE INVOLVED IN THIS PROCEEDING**  
13 **CONCERNING PINEY GROVE UTILITIES, INC.?**

14 A. By Order of the Circuit Court, in the case of SCDHEC v. Piney Grove Utilities, Inc., the  
15 City of Cayce was appointed as the Temporary Receiver of Piney Grove Utilities, Inc.'s  
16 wastewater (or sewer) collection system and treatment system at the Lloydwood  
17 Subdivision in Lexington County. That Order was signed and filed on September 30,  
18 2005. The City began operation of the sewer collection and treatment systems at  
19 Lloydwood as Temporary Receiver on October 1, 2005. Prior to the issuance of the  
20 Order, the City and DHEC had entered into a written Agreement on September 20, 2005,  
21 by which the City agreed to serve as Temporary Receiver if appointed by the Court.  
22 Exhibit JCS-1 is a copy of the Order and Agreement. The City has continued to operate

the sewer collection and treatment systems at Lloydwood as the Court-appointed Temporary Receiver since October 1, 2005.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY FOR THIS PROCEEDING?**

A. The purpose of my testimony is to establish and document the itemized expenditures and costs of the City of Cayce for the operation of the sewer collection and sewer treatment systems at Lloydwood as the Court-appointed Temporary Receiver since October 2005. My understanding is that the Office of Regulatory Staff is seeking an Order of the Public Service Commission for forfeiture of a bond in order to reimburse the itemized expenditures and costs of the public entities, including the City of Cayce, that are operating facilities of Piney Grove Utilities, Inc.

**Q. ARE THE CITY'S ITEMIZED EXPENDITURES AND COSTS FOR OPERATION OF THE LLOYDWOOD SEWER SYSTEMS SET FORTH IN YOUR TESTIMONY AND EXHIBITS?**

A. Yes.

**Q. PLEASE EXPLAIN HOW YOU COMPILED THE INFORMATION FOR YOUR TESTIMONY AND EXHIBITS.**

A. I requested the City's Director of Utilities Frank Robinson to obtain from the Department Heads for the City's Wastewater Treatment Department and the City's Wastewater Collection Department their information and documentation on the expenditures and costs for the City's operation of the sewer collection and sewer treatment systems at Lloydwood. He did that and reviewed it and compiled the information and documentation into summary charts. I reviewed the compiled information, the supporting documents, and the summary charts. To fully reflect the City's costs, I also used a salary fringe

benefit calculation of \$0.1535 per \$1.00 of salary for the employees who were directly involved in the operations and maintenance of the systems, as well as a mileage rate of \$0.445 per mile, and an equipment cost of \$50.00 per hour. These cost calculations, which I believe to be reasonable and appropriate, are shown as line items on the summary charts. There are two summary charts: one for the expenditures and costs for the operation and maintenance of the Lloydwood sewer collection system (Exhibit JCS-2) and one for the expenditures and costs for the operation and maintenance of the Lloydwood sewer treatment system (Exhibit JCS-3). The abbreviation "WWTP" on Exhibit JCS-3 stands for "waste water treatment plant". Exhibit JCS-3 also shows the compiled water usage and water costs for the wastewater treatment plant at Lloydwood. The supporting documentation for labor time, mileage, equipment and materials for the sewer collection system is Exhibit JCS-4. The supporting documentation for labor time, mileage, chemicals and materials for the sewer treatment system is Exhibit JCS-5. The end date used for my testimony and exhibits is September 22, 2006; however, two of the expenditures for September (the costs for electricity and for water) for the treatment plant were not yet available when the charts and my testimony were prepared. Based on the records of the City, I believe that the expenditures and costs shown on the Exhibits are accurate.

**Q. WHAT ARE THE CITY'S EXPENDITURES AND COSTS FOR OPERATION AND MAINTENANCE OF THE LLOYDWOOD SEWER COLLECTION SYSTEM FROM OCTOBER 2005 THROUGH SEPTEMBER 22, 2006?**

**A.** \$33,909.54. This total also is shown in the lower right-hand corner of the chart that is Exhibit JCS-2.

1   **Q.    WHAT ARE THE CITY'S EXPENDITURES AND COSTS FOR OPERATION**  
2       **AND MAINTENANCE OF THE LLOYDWOOD SEWER TREATMENT**  
3       **SYSTEM FROM OCTOBER 2005 THROUGH SEPTEMBER 22, 2006?**

4    A.    \$35,062.12, not including the currently unavailable figures for September for electricity  
5       and water at the treatment plant. This total of the available figures also is shown at the  
6       end of the far right column of the chart that is Exhibit JCS-3.

7   **Q.    WHAT IS THE TOTAL OF THOSE TWO FIGURES?**

8    A.    \$68,971.66.

9   **Q.    DOES THAT CONCLUDE YOUR TESTIMONY?**

10   A.    Yes, it does.

**EXHIBIT INDEX FOR**  
**TESTIMONY OF JOHN C. SHARPE**  
**DOCKET NO. 2005-110-W/S**  
**IN RE: PINEY GROVE UTILITIES, INC.**

<b><u>EXHIBIT NO.</u></b>	<b><u>EXHIBIT TYPE</u></b>	<b><u>PREPARED BY</u></b>
JCS-1	Order of Circuit Court appointing Cayce as Temporary Receiver for Lloydwood System; Cayce/SCDHEC Agreement	Circuit Court, City of Cayce, and SCDHEC
JCS-2	Summary Chart itemizing expenditures and costs for Lloydwood sewer collection system	City of Cayce
JCS-3	Summary Chart itemizing expenditures and costs for Lloydwood sewer treatment system	City of Cayce
JCS-4	Supporting documents on sewer collection system expenditures and costs	City of Cayce
JCS-5	Supporting documents on sewer treatment system expenditures and costs	City of Cayce

# EXHIBIT JCS-1



STATE OF SOUTH CAROLINA )  
COUNTY OF LEXINGTON )

IN THE COURT OF COMMON PLEAS  
ELEVENTH JUDICIAL CIRCUIT  
Civil Case No.: 05-CP-32-1319

**COPY**

2005 SEP 30 A 9 18

South Carolina Department of Health and  
Environmental Control,

Plaintiff,

vs.

Piney Grove Utilities, Inc.,

Defendant.

BETH A. CARRIG  
CLERK OF COURT  
CONSENT ORDER LEXINGTON SC

Prior to a hearing on South Carolina Department of Health and Environmental Control's (DHEC) Motion for Appointment of a Receiver, the parties notified this Court that they had reached agreement as to the issue of an Order as requested in DHEC's Motion for Appointment of a Receiver, and the parties agree as follows:

1. The Defendant consents to the appointment by this Court, in accordance with S.C. Code Ann. § 15-65-10(4), of a receiver for Defendant's wastewater collection and treatment system at the Lloydwood Subdivision (Facility).
2. Plaintiff has entered into a Temporary Receivership Agreement with the City of Cayce (Exhibit 1) and Defendant has no objection to City of Cayce serving as temporary receiver of the Facility in accordance with the Agreement.
3. Accordingly, the City of Cayce is appointed as temporary receiver of the Defendant's Facility subject to the terms and conditions in the Temporary Receivership Agreement between DHEC and City of Cayce, and as such will:
  - a) serve without bond until further order of this court;

- b) be empowered to do all things needful to ensure proper operation and maintenance of the facilities;
- c) be empowered to access at all times the facilities and any appurtenances thereto (including pump stations, collection lines, etc.);
- d) be empowered to charge reasonable monthly rates, fees, and other charges to its customers, and to discontinue service for those customers who do not make timely payment for services or otherwise observe the procedures of the receivers with respect to service;
- e) be empowered to collect the service fees directly from customers instead of the Defendant; and
- f) be immune from liability from third parties for any conduct or liability for conditions that existed or arose prior to and up to the execution date of this Order.

4. The Defendant agrees that, within ten (10) days, it will provide the City of Cayce with such business records as are available regarding current customer information and monthly income and expenses at the subject facilities.

**IT IS SO ORDERED.**

**/S/ WILLIAM P. KEESLEY**

The Honorable William P. Keesley  
Eleventh Judicial Circuit  
Lexington County

September 30, 2005

Lexington County, South Carolina

I consent: \_\_\_\_\_

Matthew S. Penn  
Attorney for Plaintiff

I consent: \_\_\_\_\_

Louis H. Lang  
Attorney for Defendant

in advance and SCDHEC shall use reasonable efforts to obtain funds to put towards the operation and maintenance costs.

5. As temporary receiver for the Facility, the City will not be required to file an application for renewal of NPDES Permit No. SC0031402 with SCDHEC.

6. The City shall not be liable for the payment of any claims, fines, or judgments that may be pending against Piney Grove Utilities, Inc., either now or in the future, nor shall the City be liable for any financial obligations and/or debts of Piney Grove Utilities, Inc., either now in the future.

7. SCDHEC hereby releases, acquits and forever discharges the City of and from any and all Claims, known or unknown, whether in law or in equity, and whether in contract, tort or otherwise, which SCDHEC ever had or now has against Piney Grove Utilities, Inc., or the current operator(s) of the Facility serving the Lloydwood residential subdivision located in Lexington County, South Carolina, arising out of such operator(s)'s violation of Applicable Laws in operating or owning the Facility, including, without limitation, any violations arising out of contamination to Dry Branch arising out of discharge of sewage from the Facility into such creek.

8. As used in this Agreement, the following bold terms shall have the following meanings:

(a) **Applicable Laws** means and refers to all existing and future federal, state and local laws, statutes, codes, orders, rules and regulations applicable to the Facility or the provision of sewer utility services in the United States of America or the State of South Carolina, including, without limitation, the rules and regulations promulgated by federal, state and local authorities such as the Environmental Protection Agency, SCDHEC, the South Carolina Public Service Commission and the South Carolina Office of Regulatory Staff.

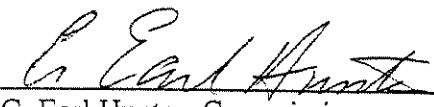
(b) **Claims** means and refers to any and all of the following: claims, demands, judgments, expenses, costs, liabilities, liens, suits, sums of money, causes of action, controversies, set-offs, counterclaims, third-party actions, proceedings, attorneys' fees and costs, or any liabilities whatsoever, without exception.

9. SCDHEC shall hold harmless the City and its officers, employees, agents, attorneys, contractors, successors and assigns, from and against any and all Claims (including, without limitation, court costs, attorneys' fees and expenses, engineers' fees and expenses and

the fees and charges of any contractor or expert retained or consulted by the City) arising out of loss of life, injury to persons, property or business or damage to natural resources or remediation thereof, arising directly or indirectly from or in connection with, with respect to, or as a direct or indirect result of any conditions existing with respect to the Lloydwood Facility, any adjoining or nearby land, streams, creeks or other bodies of water, or the Facility prior to or on the date of this Agreement arising from or related to the permittee's (Piney Grove Utilities, Inc.'s) operation of the Facility in violation of Applicable Laws or City's operation of the Facility after the date of this Agreement provided City complies with the terms of this Agreement and the claims do not arise out of City's willful misconduct or gross negligence.

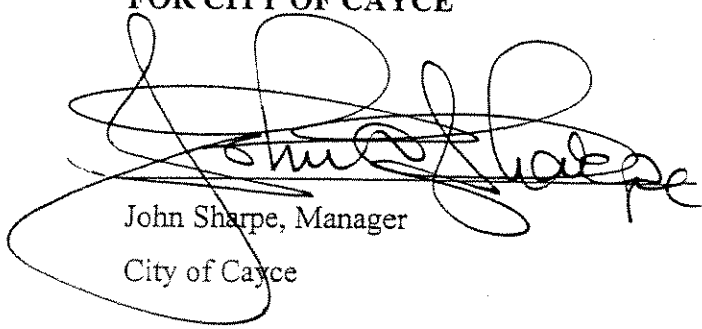
10. The undersigned hereby represent that he or she has authority to enter into this Agreement and does so voluntarily on the date given below.

**FOR THE DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL**

  
C. Earl Hunter, Commissioner  
South Carolina Department of  
Health and Environmental Control

DATE: Sept. 15, 2005

**FOR CITY OF CAYCE**

  
John Sharpe, Manager  
City of Cayce

DATE: 9-20-05

# EXHIBIT JCS-2

LLOYDWOOD SEWER COLLECTION SYSTEM EXPENSE REPORT  
OCTOBER 1, 2005 - SEPTEMBER 22, 2006

MONTH	YEAR	TOTAL	TOTAL	Mileage	Total Hours	\$ Cost of	Monthly Expense
FIELD CREW		HOURS	SALARY		Equipment Use	Material	Total
OCTOBER	2005	192.00	\$ 4,060.86	738.00	108.00	\$1,317.35	\$ 5,378.21
NOVEMBER	2005	46.00	\$ 666.19	119.00	21.00	\$0.00	\$ 666.19
DECEMBER	2005	1.00	\$ 12.50	10.00	0.50	\$0.00	\$ 12.50
JANUARY	2006	41.00	\$ 659.41	142.00	7.00	\$700.00	\$ 1,359.41
FEBRUARY	2006	29.00	\$464.29	120.00	1.00	\$4,360.00	\$ 4,824.29
MARCH	2006	18.00	\$1,802.39	98.00	4.50	\$16.47	\$ 1,818.86
APRIL	2006	26.50	\$ 405.92	80.00	11.50	\$1,285.49	\$ 1,691.41
MAY	2006	6.50	\$2,208.31	56.00	1.50	\$0.00	\$ 2,208.31
JUNE	2006	8.00	\$ 72.26	42.00	1.50	\$0.00	\$ 72.26
JULY	2006	34.00	\$ 496.75	168.00	12.50	\$127.10	\$ 623.85
<b>ADDENDUM</b>							
JULY	2006	16.00	\$ 266.66	105.00	7.00	\$0.00	\$ 266.66
AUGUST	2006	21.50	\$ 329.21	80.50	8.50	\$30.54	\$ 359.75
SEPTEMBER	2006	7.50	\$ 121.56	72.00	4.50	\$0.00	\$ 121.56
SUB-TOTALS		447.00	\$ 11,566.31	1830.50	189.00	\$7,836.95	\$ 21,869.76
SALALRY FRINGE -\$0.1535			\$ 1,775.43				
MILEAGE \$0.445/MILE				\$814.35			
EQUIPMENT COST \$50.00/HR.					\$9,450.00		
TOTAL WASTEWATER COLLECTION EXPENSES							\$33,909.54
REVISED 9/27/06							

# EXHIBIT JCS-3

LLOYDWOOD WWTP EXPENSE REPORT 2005/2006

MONTH	YEAR	ELECTRIC	CHEMICAL	WATER	MATERIAL COST	SALARY	EQUIP. EXP.	MILEAGE	TOTAL EXPENSES
OCTOBER	2005	\$0.00	\$645.58	\$778.89	\$628.27	\$1,429.58		658	\$3,482.32
NOVEMBER	2005	\$759.49	\$60.00	\$733.84	\$212.00	\$961.44		527	\$2,726.77
DECEMBER	2005	\$420.05	\$30.00	\$733.84	\$0.00	\$720.39		407	\$1,904.28
JANUARY	2006	\$417.70	\$110.00	\$854.48	\$0.00	\$742.65		432	\$2,124.83
FEBRUARY	2006	\$395.55	\$635.73	\$854.48	\$0.00	\$721.79		401	\$2,607.55
MARCH	2006	\$485.22	\$332.87	\$739.12	\$28.23	\$1,049.24		532	\$2,634.68
APRIL	2006	\$399.27	\$110.00	\$739.12	\$110.00	\$771.51		405	\$2,129.90
MAY	2006	\$462.89	\$30.00	\$710.30	\$162.86	\$1,028.53		590	\$2,394.58
JUNE	2006	\$429.19	\$579.02	\$710.30	\$0.00	\$716.60		529	\$2,435.11
JULY	2006	\$472.68	\$792.00	\$892.89	\$0.00	\$929.00		409	\$3,086.57
AUGUST	2006	\$425.27	\$65.00	\$948.62	\$0.00	\$1,253.16		576	\$2,692.05
SEPTEMBER	2006		\$1,770.00		\$9.48	\$802.88		380	\$2,582.36
OCTOBER	2006								
NOVEMBER	2006								
DECEMBER	2006								
TOTAL								5846	
EXPENSES TO DATE									
SUB-TOTALS		\$4,667.31	\$5,160.20	\$8,695.88	\$1,150.84	\$11,126.77			\$30,801.00
SALARY FRINGE \$0.1535						\$1,707.96			
MILAGE \$0.445/mile								\$2,601.47	
TOTAL WWTP EXPENSES									\$35,062.12
Monthly Potable Water usage calculations									
				Month	Gallons	Charge \$			
				JAN.06	158820	\$854.48			
Lloydwood water rate: \$ 25.44 Base charge				Feb.06	158820	\$854.48			
\$ 5.22 /1000 Gals. There after				Mar.06	136720	\$739.12			
				Apr.06	136720	\$739.12			
				May.06	131200	\$710.30			
				Jun.06	131200	\$710.30			
July 06 Rate Change: \$ 26.72 Base Charge				Jul.06	158060	\$892.89			
\$ 5.48/1000 Gals. There after				Aug.06	168230	\$948.62			
				Sept.06		\$26.72			